

**Close-out Review of
Construction and Construction
Support for the Soundwalls on
Southbound State Route 170 from
Saticoy Street to Roscoe Boulevard**

**REPORT NO.
09-CAL-G11**

MARCH 2009

MOU.SOUNDWCT2



Metro

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EXECUTIVE SUMMARY

At the request of the Project Manager, Kathleen Sanchez, a close-out review was completed by Los Angeles County Metropolitan Transportation Authority (Metro) Management Audit Services (Management Audit) for the Transportation Improvement Program (TIP) call for Memorandum of Understanding (MOU) SOUNDWCT2. This MOU is with State of California, Department of Transportation (Caltrans) for Construction and Construction Support for Soundwalls on Southbound (SB) State Route (SR) 170 from Saticoy Street to Roscoe Boulevard. The estimated total project cost is \$10,297,100 which is comprised of \$1,343,100 for Construction Support and \$8,954,000 for Construction. The project is funded 100 percent by Prop C 25 percent funds. There are no amendments to this MOU.

The total project cost of \$7,328,877 was incurred from inception to June 7, 2008. The total incurred project cost includes \$1,859,991 for construction support and \$5,468,886 for construction cost. The allowable project cost is \$7,328,877. Caltrans' allowable incurred project cost results in an overall under-run or unused funds of \$2,968,223 when compared to the estimated total project cost of \$10,297,100. The overall under-run consists of an over-run in construction support cost of \$516,891 (\$1,859,991 - \$1,343,100) and an under-run in construction cost of \$3,485,114 (\$8,954,000 - \$5,468,886).

Caltrans was reimbursed \$6,811,986 and no retention was withheld. Caltrans is entitled to the unreimbursed \$516,891. The remaining unused fund for this project is \$2,968,223 (\$10,297,100 - \$7,328,877). We recommend \$7,328,877 as the final project cost.

INTRODUCTION

Background

This MOU is between Caltrans and Metro. The objective of the project is to construct Soundwalls on SR 170 from Saticoy Street to Roscoe Boulevard. The project will mitigate freeway noise. The total estimated project cost is \$10,297,100, and Metro's share is 100 percent. The MOU commenced on October 27, 2005 and lapsed on June 30, 2008.

Objectives

The audit objectives were to:

- Determine the allowability, allocability and reasonableness of the incurred cost.
- Determine whether costs incurred and billed were allowable under relevant cost standards and in compliance with the specific general terms of the MOU and project management guidelines.

INTRODUCTION

- Determine whether costs incurred were properly and accurately charged to the MOU, were reasonable in amount, and were supported by documented evidence.
- Determine whether costs were properly recorded for reimbursement purposes and that reimbursements were received by Caltrans and the Metro's accounting records properly reflect these transactions.
- Determine whether invoices were submitted within the lapsing date and within the period for which the funds were programmed.

Scope

We reviewed the amount invoiced by Caltrans for costs incurred in the performance of the MOU. The invoices were submitted between May 26, 2006 and June 7, 2008. We also reviewed the amounts paid to Caltrans as of July 3, 2008.

We conducted this attestation review in accordance with Generally Accepted Government Auditing Standards. Those standards require that we plan and perform the review to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our review objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our review objectives. We used the cost principles contained in the Federal Acquisition Regulation (FAR) Subparts 30 and 31, and the MOU Provisions to evaluate and analyze the incurred cost.

The cost claimed is the responsibility of Caltrans. Our responsibility is to express a conclusion based on the review. The review report is intended solely for the use of management and should not be used for any other purpose without first consulting Management Audit.

Methodology

We selected invoices submitted by Caltrans and traced various costs included on the invoices to supporting documentation such as vendor's invoices. We reviewed the costs for allowability in accordance with applicable cost standards and compliance with the terms and conditions of the MOU. We also reviewed accounting and grant records to determine if the amounts claimed for reimbursement, as represented by invoices submitted by Caltrans, were actually paid.

RESULTS

Conclusion

The total allowable project cost incurred by Caltrans was \$7,328,877 includes \$1,859,991 for construction support and \$5,468,886 for construction cost. Caltrans' incurred project cost results in an overall under-run or unused funds of \$2,968,223 (\$10,297,100 - \$7,328,877). The project cost net under-run consists of an over-run of \$516,891 for construction support and an under-run of \$3,485,114 for construction cost.

Caltrans was reimbursed \$6,811,986 and no retention was withheld. The remaining unreimbursed project cost is \$516,891, which Caltrans needs to bill Metro in order to be reimbursed. The remaining unused fund is \$2,968,223 (\$10,297,100 - \$7,328,877).

Recommendation

We recommend \$7,328,877 as the final total project cost for this MOU. We have identified \$516,891 as project cost that should be reimbursed to Caltrans and \$2,968,223 of unused funds that can be reprogrammed for other projects.

Management Response

Metro Project Manager concurred with the results and recommendations of our review.

Caltrans Response

In Caltrans' letter dated February 4, 2009, Caltrans agreed with our recommendation. Please see Appendix B for the letter.



Ruthe Holden
Chief Auditor
March 2009

Audit Team:

Andrew Lin
Kathy Knox
Ruth Holden

APPENDIX A

09-CAL-G11
Close-out Review
Summary of Project Funding and Expenditures
From the Inception to June 7, 2008

Description	Budgeted Costs	Total Project Cost Per PCS	Allowable Project Cost	MOU Balance	Payments	Over/ (Under)
	<i>a</i>	<i>b</i>	<i>c</i>	<i>d = a - c</i>	<i>e</i>	<i>f = e - c</i>
<u>Prop C 25% (100 Percent funding)</u>						
Construction Support	\$ 1,343,100	\$ 1,859,991	\$ 1,859,991	(516,891)		
Construction	8,954,000	5,468,886	5,468,886	3,485,114		
Total	<u>\$ 10,297,100</u>	<u>\$ 7,328,877</u>	<u>\$ 7,328,877</u>	<u>2,968,223</u>	<u>\$ 6,811,986</u>	<u>\$ (516,891)</u>

APPENDIX B

STATE OF CALIFORNIA—BUSINESS TRANSPORTATION AND HOUSING AGENCY

ARNOLD SCHWARZKOPF, Governor

DEPARTMENT OF TRANSPORTATION

AUDITS AND INVESTIGATIONS

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*Flex your power!
Be energy efficient!*

February 4, 2009

Ms. Kathleen Sanchez, Project Manager
Los Angeles County Metropolitan Transportation Authority
One Gateway Plaza (MS 99-22-2)
Los Angeles, CA 90012-2952

Dear Ms. Sanchez:

Thank you for the opportunity to respond to the draft audit report on the close-out audit performed on Memorandum of Understanding (MOU) SOUNDWCT2 between the Los Angeles County Metropolitan Transportation Authority (Metro) and the California Department of Transportation (Caltrans). The purpose of this MOU was for construction and construction support costs for building soundwalls on southbound State Route 170 from Saticoy Street to Roscoe Boulevard. The estimated project costs for this MOU consisted of \$8,954,000 for construction and \$1,343,100 for construction support for a total of \$10,297,100. There were no amendments to this MOU.

The MOU started on October 27, 2005, and lapsed on June 30, 2008. The purpose of the close-out audit was to determine the allowability, allocability, and reasonableness of invoices submitted by Caltrans for the period of May 26, 2006, through July 3, 2008.

Metro auditors concluded that Caltrans incurred a total of \$7,328,877 in allowable project costs and that it was reimbursed \$6,811,986 with no retention withheld. Metro is recommending that Caltrans be reimbursed the additional \$516,891 and that the total of \$7,328,877 be used as the final total project cost for this MOU. Metro is also recommending that the unused funds, \$2,968,223 be reprogrammed for other projects. Caltrans agrees with the recommendation.

Caltrans appreciates the opportunity to respond to the draft report. If you have any questions, or require additional information, please contact Laurine Bohamera, Chief, Internal Audits, at (916) 323-7107, or Juanita Baier, Audit Supervisor, at (916) 323-7951.

Sincerely,

A handwritten signature in black ink, appearing to read "Gerald A. Long".

GERALD A. LONG
Deputy Director

APPENDIX B

Ms. Kathleen Sanchez, Project Manager
February 4, 2009
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c: Ruthe Holden, Chief Auditor, Metro
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